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15 MAR 1967

MEMORANDUM FOR: Director of Computer Services
Director of ELINT
Director of Research and Development
Director of Scientific Intelligence
Director of Special Activities
Director of Special Projects
Director of Foreign Missile and Space
Analysis Center

SUBJECT: 1. Documentation of Changes in Scope and
Contract Cost Overruns

1. Recently this Directorate received a request from the Budget Division, O/PPE to provide that Office with a summary of R&D contract overruns that occurred within the past few years and the reasons for the overrun occurring.

2. Upon examining the records that were available, including the Contract Information System (CIS) data base, it was found that most of the reasons stated for the contract overruns were really "changes in scope"/"additional requests," etc., and if these changes had been properly documented (contract amendment) at the time they occurred, a contract overrun could have been avoided.

3. It is the desire of this Directorate to have the information that appears in the CIS data base to be as accurate and representative of the true facts as possible; however, in order to accomplish this, everyone who participates in the "input" to the system must follow the established rules and guidelines at all times. In this regard all project officers should be aware that:

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a. Whenever the original scope of work is changed from that originally contemplated the contract should be amended and the level of obligation increased or decreased as necessary. When a change in the original scope of work is required the project officer should make certain that the contractor submits the scope of the increase and additional cost, if any, necessitated by this increase to the contracting officer. Upon receipt of this information the contracting officer should document and make the necessary changes to the contract, including an increase in contract price (increase in obligated amount) if this is required and the originating office is able to certify the availability of these funds. The project officer is responsible for the "input" of this contract amendment, including the increase in obligated amount to the CIS data base.

b. Informal arrangements between project officer and contractor which could conceivably cause an increase in contract price should be avoided (see para. 15a, HNB 45-3). Experience has shown that such informal arrangements invariably lead to overruns which, if properly documented, (contract amendment, increase in level of obligation, etc.) would have eliminated many cost overruns.

c. If a true contract overrun does occur the project officer should assure that the information is entered in the data base of the Contract Information System. The overrun cost should be entered in the "Overrun Amount" field as well as increases to the "Obligated Amount" and "Current Program Amount" fields. In addition, the reason for the overrun should be explained in the "Remarks" field -- such as "adjustment in overhead rates" or "unforeseen technical problems," etc.

4. It is planned to include the above information (a, b, c)

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**SUBJECT: Documentation of Changes in Scope and Contract Cost
Overruns**

in the Project Officers Handbook in the near future.



**Executive Officer
Directorate of
Science and Technology**

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